

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2017



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

CONTENTS

JUNE 30, 2017

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - STATEMENT OF NET POSITION – PROPRIETARY FUNDS	21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	23
STATEMENT J - STATEMENT OF NET POSITION – FIDUCIARY FUNDS	24
STATEMENT K - STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS	25

NOTES TO FINANCIAL STATEMENTS	26 - 70
-------------------------------	---------

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	71
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND	72
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	73
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	74
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	75
SCHEDULE 4 - SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN	76

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	77
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND REVENUES	78
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	79 - 80
SCHEDULE C - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	81
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	82
SPECIAL REVENUE FUNDS DESCRIPTION	83
SCHEDULE E - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	84 - 92
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	93 - 101
CAPITAL PROJECTS FUNDS DESCRIPTION	102

SCHEDULE G - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS	103 - 104
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	105 - 106
PERMANENT FUNDS DESCRIPTION	107
SCHEDULE I - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	108
SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	109
FIDUCIARY FUNDS DESCRIPTION	110
SCHEDULE K - COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS	111 - 112
SCHEDULE L - COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS	113 - 114
SCHEDULE M - COMBINING SCHEDULE OF CHANGES IN STUDENT ACTIVITIES FUNDS – AGENCY FUNDS	115
GENERAL CAPITAL ASSETS DESCRIPTION	116
SCHEDULE N - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	117
SCHEDULE O - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	118
<u>FEDERAL COMPLIANCE</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	119
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	120
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	121 - 122

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	123 - 125
--	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	126
---	-----

OTHER REPORTS

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS	127
--	-----

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MEDMS TO FINANCIAL SYSTEM	128
---	-----



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Town Council
Town of Kittery
Kittery, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 13 and 72 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery, Maine's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Town of Kittery, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
December 12, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of Town of Kittery, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Kittery's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Kittery are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and sanitation, social services and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kittery include the sewer department.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kittery, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Kittery can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues, are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The Town of Kittery presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Kittery maintains one proprietary fund, the Sewer Department Fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Kittery. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Fiduciary Net Position – Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, Notes to Required Supplementary Information and a Schedule of Funding Progress for Retiree Healthcare Plan.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental funds is \$30,645,187 compared to \$31,121,112 in the prior year, a decrease of \$475,925. For the business-type activities, total net position is \$9,445,882 compared to \$9,582,337 in the prior year, a decrease of \$136,455.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$5,527,249 at the end of this year for governmental activities and a deficit balance of \$925,898 for the business-type activities.

Table 1
Town of Kittery, Maine
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016 (Restated)
Assets:				
Current Assets	\$ 16,879,020	\$ 18,269,599	\$ 1,643,782	\$ 836,748
Capital Assets	36,483,436	37,446,766	23,014,080	23,639,663
Total Assets	53,362,456	55,716,365	24,657,862	24,476,411
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	3,255,139	2,177,022	279,958	201,344
Total Deferred Outflows of Resources	3,255,139	2,177,022	279,958	201,344
Liabilities:				
Current Liabilities	3,414,031	4,280,805	689,069	1,207,797
Long-Term Debt Outstanding	21,384,111	20,899,932	12,681,176	13,718,539
Total Liabilities	24,798,142	25,180,737	13,370,245	14,926,336
Deferred Inflows of Resources:				
Deferred Revenue	-	11,313	2,008,732	-
Prepaid Taxes	-	5,440	-	-
Deferred Inflows Related to Pensions	1,174,266	1,574,785	112,961	169,082
Total Deferred Inflows of Resources	1,174,266	1,591,538	2,121,693	169,082
Net Position:				
Net Investment in Capital Assets	21,342,909	20,853,820	10,371,780	8,786,730
Restricted	3,775,029	4,001,300	-	926,557
Unrestricted (deficit)	5,527,249	6,265,992	(925,898)	(130,950)
Total Net Position	\$ 30,645,187	\$ 31,121,112	\$ 9,445,882	\$ 9,582,337

Table 2
Town of Kittery, Maine
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,443,136	\$ 2,214,051	\$ 2,345,558	\$ 1,942,243
Operating grants and contributions	2,068,047	2,389,020	-	-
<i>General Revenues:</i>				
Taxes	24,811,650	24,169,852	-	-
Grants and contributions not restricted to specific programs	2,140,815	2,003,827	-	-
Investment income	67,854	77,364	7,271	626
Miscellaneous	1,064,449	769,575	25,340	15,285
Total Revenues	<u>32,595,951</u>	<u>31,623,689</u>	<u>2,378,169</u>	<u>1,958,154</u>
Expenses				
General government	1,859,144	2,475,282	-	-
Public safety	3,663,568	3,756,395	-	-
Public works	1,897,359	2,436,768	-	-
Recreation and culture	2,436,893	2,321,987	-	-
Health and sanitation	752,425	646,156	-	-
Social services	71,761	59,972	-	-
Education	17,509,125	16,454,376	-	-
County tax	909,420	912,948	-	-
Program expenses	210,981	527,737	-	-
State of Maine on-behalf payments	990,140	1,307,323	-	-
Grant funds/misc. accounts	159,947	182,673	-	-
Overlay	10,067	10,873	-	-
Unallocated depreciation (Note 4)*	111,315	111,315	-	-
Interest on long-term debt	232,325	80,943	-	-
Sewer department	-	-	2,514,624	2,037,555
Total Expenses	<u>33,071,876</u>	<u>31,284,748</u>	<u>2,514,624</u>	<u>2,037,555</u>
Transfers	-	656,026	-	(656,026)
Change in Net Position	(475,925)	994,967	(136,455)	(735,427)
Net Position - July 1, Restated	<u>31,121,112</u>	<u>30,126,145</u>	<u>9,582,337</u>	<u>10,317,764</u>
Net Position - June 30	<u>\$ 30,645,187</u>	<u>\$ 31,121,112</u>	<u>\$ 9,445,882</u>	<u>\$ 9,582,337</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 3.08%, while total expenses increased by 5.71%.

Revenues increased by 21.45% in the Town's business type activities, while the total expenses increased by 23.41%. Most of the proprietary funds revenues and expenses were consistent with the previous year with minor increases or decreases.

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Kittery, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2017</u>	<u>2016</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 395,292	\$ 282,279
Restricted	1,058,525	760,594
Committed	-	-
Assigned	-	74,000
Unassigned	5,217,892	5,088,925
Total Major Funds	<u>\$ 6,671,709</u>	<u>\$ 6,205,798</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 11,932	\$ 11,188
Restricted	147,203	167,608
Committed	3,383,972	4,368,453
Assigned	171,376	65,856
Unassigned	(66,175)	(127,755)
Capital Projects Funds:		
Restricted	1,786,848	2,384,129
Committed	1,186,823	1,360,682
Unassigned	493	(64,629)
Permanent Funds:		
Nonspendable	60,000	60,000
Restricted	722,453	751,634
Unassigned	(772)	(772)
Total Nonmajor Funds	<u>\$ 7,404,153</u>	<u>\$ 8,976,394</u>

The general fund total fund balance increased by \$465,911 from the prior fiscal year. The nonmajor fund balances decreased by \$1,572,541 from the prior fiscal year. The large increase in the general fund and the large decrease in the nonmajor funds were the result of amounts previously committed in the general fund being transferred and reflected as nonmajor funds.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer department fund had a reduction in net position of \$136,455 from the prior year.

Budgetary Highlights

There were significant differences between the original and final budget for the general fund. These differences were budget adjustments done by the Town for special town meetings or adjustments between departments as well as use of committed, assigned and unassigned fund balances.

The general fund actual revenues exceeded the budget by \$474,686. This was a result of all revenue categories being receipted in excess of budgeted amounts with the exception of other revenue.

The general fund actual expenditures were under budget by \$565,019. All expenditure categories were under budget with the exception of general government and grant funds/miscellaneous.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the Town decreased by \$1,588,913. This increase is a result of capital additions of \$530,543 plus net disposals/adjustments of \$572,368 less current year depreciation expense of \$2,691,824. Refer to Note 4 of Notes to Financial Statements for additional information.

Table 4
Town of Kittery, Maine
Capital Assets (Net of Depreciation)
June 30,

	<u>2017</u>	<u>2016</u>
Land	\$ 11,236,886	\$ 11,236,886
Construction in progress	5,313	11,570,571
Land improvements	1,146,011	1,252,874
Buildings and improvements	28,631,259	30,866,758
Machinery, equipment and vehicles	3,717,873	2,687,038
Infrastructure	<u>14,760,174</u>	<u>3,472,302</u>
Total	<u>\$ 59,497,516</u>	<u>\$ 61,086,429</u>

Debt

At June 30, 2017, the Town had \$27,737,234 in bonds outstanding versus \$31,245,890 last year. Other obligations include capital leases payable, accrued compensated absences, pension benefit obligations and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs. The FY 17 school department budget could be severely impacted by the reduction of funding from the State.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at 200 Rogers Road, Kittery, Maine 03904.

STATEMENT A

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,094,107	\$ 1,195,823	\$ 14,289,930
Investments	675,206	-	675,206
Accounts receivable (net of allowance for uncollectibles):			
Taxes	986,574	-	986,574
Other	207,722	1,378,632	1,586,354
Due from other governments	408,529	168,985	577,514
Prepaid items	368,664	-	368,664
Inventory	38,560	-	38,560
Internal balances	1,099,658	(1,099,658)	-
Total current assets	16,879,020	1,643,782	18,522,802
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	10,956,219	285,980	11,242,199
Buildings and vehicles net of accumulated depreciation	25,527,217	22,728,100	48,255,317
Total noncurrent assets	36,483,436	23,014,080	59,497,516
TOTAL ASSETS	53,362,456	24,657,862	78,020,318
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,255,139	279,958	3,535,097
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,255,139	279,958	3,535,097
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 56,617,595	\$ 24,937,820	\$ 81,555,415
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 453,647	\$ 72,222	\$ 525,869
Accrued payroll	915,993	-	915,993
Accrued expenses	500,926	8,034	508,960
Due to other governments	785	-	785
Escrows	245,202	-	245,202
Current portion of long-term obligations	1,297,478	608,813	1,906,291
Total current liabilities	3,414,031	689,069	4,103,100
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	13,800,404	12,030,539	25,830,943
Capital leases payable	42,645	2,948	45,593
Accrued compensated absences	704,478	164,511	868,989
Pension benefit obligations	1,753,676	-	1,753,676
Net pension liability	5,082,908	483,178	5,566,086
Total noncurrent liabilities	21,384,111	12,681,176	34,065,287
TOTAL LIABILITIES	24,798,142	13,370,245	38,168,387
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	2,008,732	2,008,732
Prepaid taxes	-	-	-
Deferred inflows related to pensions	1,174,266	112,961	1,287,227
TOTAL DEFERRED INFLOWS OF RESOURCES	1,174,266	2,121,693	3,295,959
NET POSITION			
Net investment in capital assets	21,342,909	10,371,780	31,714,689
Restricted	3,775,029	-	3,775,029
Unrestricted (deficit)	5,527,249	(925,898)	4,601,351
TOTAL NET POSITION	30,645,187	9,445,882	40,091,069
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 56,617,595	\$ 24,937,820	\$ 81,555,415

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 1,859,144	\$ 383,356	\$ 30,704	\$ -	\$ (1,445,084)	\$ -	\$ (1,445,084)
Public safety	3,663,568	176,018	-	-	(3,487,550)	-	(3,487,550)
Public works	1,897,359	11,500	-	-	(1,885,859)	-	(1,885,859)
Recreation and culture	2,436,893	1,263,885	-	-	(1,173,008)	-	(1,173,008)
Health and sanitation	752,425	177,189	-	-	(575,236)	-	(575,236)
Social services	71,761	-	-	-	(71,761)	-	(71,761)
Education	17,509,125	431,188	1,047,203	-	(16,030,734)	-	(16,030,734)
County tax	909,420	-	-	-	(909,420)	-	(909,420)
Program expenses	210,981	-	-	-	(210,981)	-	(210,981)
State of Maine on-behalf payments	990,140	-	990,140	-	-	-	-
Grant funds/misc. accounts	159,947	-	-	-	(159,947)	-	(159,947)
Overlay	10,067	-	-	-	(10,067)	-	(10,067)
Unallocated depreciation (Note 4)*	111,315	-	-	-	(111,315)	-	(111,315)
Interest on long-term debt	232,325	-	-	-	(232,325)	-	(232,325)
Total governmental activities	<u>33,071,876</u>	<u>2,443,136</u>	<u>2,068,047</u>	<u>-</u>	<u>(28,560,693)</u>	<u>-</u>	<u>(28,560,693)</u>
<u>Business-type activities:</u>							
Sewer department	<u>2,514,624</u>	<u>2,345,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,066)</u>	<u>(169,066)</u>
Total business-type activities	<u>2,514,624</u>	<u>2,345,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,066)</u>	<u>(169,066)</u>
Total government	<u>\$ 35,586,500</u>	<u>\$ 4,788,694</u>	<u>\$ 2,068,047</u>	<u>\$ -</u>	<u>(28,560,693)</u>	<u>(169,066)</u>	<u>(28,729,759)</u>

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
TOWN OF KITTELY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(28,560,693)</u>	<u>(169,066)</u>	<u>(28,729,759)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	22,948,974	-	22,948,974
Excise taxes	1,862,676	-	1,862,676
Grants and contributions not restricted to specific programs	2,140,815	-	2,140,815
Investment income, net of unrealized gains/(losses)	67,854	7,271	75,125
Miscellaneous	1,064,449	25,340	1,089,789
Transfers	-	-	-
Total general revenues and transfers	<u>28,084,768</u>	<u>32,611</u>	<u>28,117,379</u>
Change in net position	(475,925)	(136,455)	(612,380)
NET POSITION - JULY 1, RESTATED	<u>31,121,112</u>	<u>9,582,337</u>	<u>40,703,449</u>
NET POSITION - JUNE 30	<u><u>\$ 30,645,187</u></u>	<u><u>\$ 9,445,882</u></u>	<u><u>\$ 40,091,069</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 13,093,976	\$ 131	\$ 13,094,107
Investments	-	675,206	675,206
Accounts receivables (net of allowance for uncollectibles):			
Taxes/liens	986,574	-	986,574
Other	34,934	172,788	207,722
Due from other governments	888	407,641	408,529
Prepaid items	368,564	100	368,664
Inventory	26,728	11,832	38,560
Due from other funds	1,549,695	6,680,700	8,230,395
TOTAL ASSETS	<u>\$ 16,061,359</u>	<u>\$ 7,948,398</u>	<u>\$ 24,009,757</u>
LIABILITIES			
Accounts payable	\$ 367,744	\$ 85,903	\$ 453,647
Accrued payroll	915,993	-	915,993
Accrued expenses	492,621	8,305	500,926
Due to other governments	785	-	785
Escrows	245,202	-	245,202
Due to other funds	6,680,700	450,037	7,130,737
TOTAL LIABILITIES	<u>8,703,045</u>	<u>544,245</u>	<u>9,247,290</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenues	686,605	-	686,605
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>686,605</u>	<u>-</u>	<u>686,605</u>
FUND BALANCES			
Nonspendable	395,292	71,932	467,224
Restricted	1,058,525	2,656,504	3,715,029
Committed	-	4,570,795	4,570,795
Assigned	-	171,376	171,376
Unassigned	5,217,892	(66,454)	5,151,438
TOTAL FUND BALANCES	<u>6,671,709</u>	<u>7,404,153</u>	<u>14,075,862</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,061,359</u>	<u>\$ 7,948,398</u>	<u>\$ 24,009,757</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Governmental Funds
Total Fund Balances	\$ 14,075,862
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	36,483,436
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	686,605
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	3,255,139
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(15,097,882)
Capital leases payable	(42,645)
Accrued compensated absences	(704,478)
Pension benefit obligations	(1,753,676)
Net pension liability	(5,082,908)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(1,174,266)
Net position of governmental activities	<u>\$ 30,645,187</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General tax revenue	\$ 24,700,481	\$ -	\$ 24,700,481
Intergovernmental revenue	1,921,119	1,297,603	3,218,722
Charges for services	2,051,948	391,188	2,443,136
Investment income, net of unrealized gains/(losses)	39,456	28,398	67,854
State of Maine on-behalf payments	990,140	-	990,140
Other revenue	192,983	871,466	1,064,449
TOTAL REVENUES	<u>29,896,127</u>	<u>2,588,655</u>	<u>32,484,782</u>
EXPENDITURES			
Current:			
General government	1,973,366	189,904	2,163,270
Public safety	3,591,243	62,242	3,653,485
Public works	1,216,495	86,352	1,302,847
Recreation and culture	2,168,957	105,683	2,274,640
Health and sanitation	652,707	70,617	723,324
Social services	71,761	-	71,761
Education	15,642,828	1,723,151	17,365,979
County tax	909,420	-	909,420
TIF	60,901	-	60,901
State of Maine on-behalf payments	990,140	-	990,140
Overlay	10,067	-	10,067
Grant funds/misc. accounts	159,947	-	159,947
Program expenses	-	741,524	741,524
Debt service:			
Principal	674,076	-	674,076
Interest	232,325	-	232,325
TOTAL EXPENDITURES	<u>28,354,233</u>	<u>5,236,879</u>	<u>33,591,112</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,541,894</u>	<u>(2,648,224)</u>	<u>(1,106,330)</u>
OTHER FINANCING SOURCES			
Bond proceeds	-	-	-
Premiums on bond issuance	-	-	-
Bond issuance costs	-	-	-
Transfers in	411,095	2,090,403	2,501,498
Transfers (out)	(1,487,078)	(1,014,420)	(2,501,498)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,075,983)</u>	<u>1,075,983</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	465,911	(1,572,241)	(1,106,330)
FUND BALANCES - JULY 1, RESTATED	<u>6,205,798</u>	<u>8,976,394</u>	<u>15,182,192</u>
FUND BALANCES - JUNE 30	<u>\$ 6,671,709</u>	<u>\$ 7,404,153</u>	<u>\$ 14,075,862</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,106,330)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	530,543
Capital asset disposals	607,295
Depreciation expense	<u>(2,101,168)</u>
	<u>(963,330)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>1,078,117</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>111,169</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(1,140,000)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>2,592,419</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>400,519</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued interest	122,665
Accrued compensated absences	348,032
Net pension liability	<u>(1,919,186)</u>
	<u>(1,448,489)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (475,925)</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,195,823
Accounts receivable (net of allowance for uncollectibles)	1,378,632
Due from other governments	168,985
Total current assets	<u>2,743,440</u>
Noncurrent assets:	
Capital assets:	
Land	285,980
Buildings and improvements	18,646,324
Machinery, equipment and vehicles	450,657
Infrastructure	11,609,926
Total capital assets	<u>30,992,887</u>
Less: accumulated depreciation	<u>(7,978,807)</u>
Total noncurrent assets	<u>23,014,080</u>
TOTAL ASSETS	<u>25,757,520</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	279,958
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>279,958</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 26,037,478</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 72,222
Accrued expenses	8,034
Due to other funds	1,099,658
Current portion of long-term obligations	608,813
Total current liabilities	<u>1,788,727</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	12,030,539
Capital leases payable	2,948
Accrued compensated absences	164,511
Net pension liability	483,178
Total noncurrent liabilities	<u>12,681,176</u>
TOTAL LIABILITIES	<u>14,469,903</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	2,008,732
Deferred inflows related to pensions	112,961
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,121,693</u>
NET POSITION	
Net investment in capital assets	10,371,780
Unrestricted (deficit)	<u>(925,898)</u>
TOTAL NET POSITION	<u>9,445,882</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 26,037,478</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
OPERATING REVENUES	
Charges for services	\$ 2,345,558
Other	25,340
TOTAL OPERATING REVENUES	<u>2,370,898</u>
OPERATING EXPENSES	
Salaries and wages	542,324
Benefits	273,786
Increase in expenses related to net pension liability, deferred outflows and inflows of resources related to pensions	18,605
Contracted services	104,365
Rent	22,900
Utilities	207,743
Fuel / motor	54,755
Repairs, maintenance and equipment	49,093
Supplies and office	34,520
Chemicals	96,417
Sludge management	123,288
Depreciation	590,656
Other	155,414
TOTAL OPERATING EXPENSES	<u>2,273,866</u>
OPERATING INCOME (LOSS)	<u>97,032</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	7,271
Interest expense	(240,758)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(233,487)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(136,455)</u>
TRANSFERS	
Transfers in	-
Transfers out	-
TOTAL TRANSFERS	<u>-</u>
CHANGE IN NET POSITION	(136,455)
NET POSITION - JULY 1	<u>9,582,337</u>
NET POSITION - JUNE 30	<u><u>\$ 9,445,882</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Fund Sewer Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,377,745
Other receipts	25,340
Internal activity - receipts (payments) from/to other funds	1,186,692
Payments to employees	(795,407)
Payments to suppliers	(1,028,776)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,765,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	7,271
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,271</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond proceeds	-
Capital lease proceeds	-
Interest payments on bond payable	(240,758)
Principal payments on bond payable	(1,788,954)
Principal payments on capital leases	(737)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,030,449)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	742,416
CASH AND CASH EQUIVALENTS - JULY 1	<u>453,407</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 1,195,823</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 97,032
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	590,656
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(854,438)
(Increase) decrease in due from other governments	(122,107)
(Increase) decrease in prepaid items	-
(Increase) decrease in inventory	-
(Increase) decrease in due from other funds	87,034
(Increase) decrease in deferred outflows related to pensions	(78,614)
(Decrease) increase in accounts payable	3,193
(Decrease) increase in accrued expenses	(183,474)
(Decrease) increase in accrued interest	-
(Decrease) increase in due to other funds	1,099,658
(Decrease) increase in compensated absences	20,703
(Decrease) increase in deferred revenues	2,008,732
(Decrease) increase in net pension liability	153,340
(Decrease) increase in deferred inflows related to pensions	(56,121)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,765,594</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2017

	Private- Purpose Trust Funds	Agency Funds Student Activities
ASSETS		
Cash and cash equivalents	\$ 396,505	\$ 67,490
Investments	-	-
TOTAL ASSETS	<u>\$ 396,505</u>	<u>\$ 67,490</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Deposits held for others	-	67,490
TOTAL LIABILITIES	<u>-</u>	<u>\$ 67,490</u>
NET POSITION		
Restricted - held in trust	<u>\$ 399,205</u>	

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private- Purpose Trust Funds
ADDITIONS	
Interest	\$ 2,491
Contributions	5,841
TOTAL ADDITIONS	<u>8,332</u>
DEDUCTIONS	
Fees	10
Scholarships	5,841
TOTAL DEDUCTIONS	<u>5,851</u>
CHANGE IN NET POSITION	2,481
NET POSITION - JULY 1	<u>396,724</u>
NET POSITION - JUNE 30	<u><u>\$ 399,205</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Kittery was incorporated under the laws of the State of Maine. The Town operates under Town council-manager form of government and provides the following services: general government, public safety, public works, recreation and culture, health and sanitation, social services and education.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's sewer department and is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*,

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$29,317,082
Add: On-behalf payments	<u>990,140</u>
Total GAAP basis	<u>\$30,307,222</u>
Expenditures per budgetary basis	\$28,851,171
Add: On-behalf basis	<u>990,140</u>
Total GAAP basis	<u>\$29,841,311</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations.
- Prime bankers' acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

It is the policy of the Town of Kittery, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town, and conforming to all state and local statutes governing the investment of public funds.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The general fund inventory consists of diesel fuel and gasoline. The school lunch fund inventory consists of school lunch supplies and food on hand at the end of the year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$2,163,868 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences, pension benefit obligations and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2017, the Town's liability for compensated absences is \$868,989.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors,

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town or the Town Council in accordance with its charter. The inhabitants of the Town, through Town meetings, are the highest level of decision-making authority of the Town in that they must approve certain annual budgets (School), bonding and appropriation of unassigned fund balance. The Town Council must approve other annual budgets (capital and Town operating) and spending. Commitments may be modified or rescinded in the same manner they were established.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Town Council.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenue also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 12, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on May 31, 2017. Interest on unpaid taxes commenced on June 1, 2017, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$92,479 for the year ended June 30, 2017.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2017, the Town's cash balance of \$14,753,925 was comprised of bank deposits amounting to \$14,996,107. Of these bank deposits, \$452,565 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$18,783 was covered by the Securities Investor Protection Corporation (SIPC). The remaining bank deposits of \$14,524,759 were collateralized with securities held by the financial institution in the Town's name or an irrevocable stand-by letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 844,613
Savings accounts	419,694
Money market accounts	7,184,831
Sweep accounts	6,528,186
Cash and cash equivalents	18,783
	<u>\$ 14,996,107</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Of the Town's investments of \$675,206, \$0 was fully covered by federal depository insurance and consequently was not exposed to custodial credit risk, \$675,206 was covered by the Securities Investor Protection Corporation (SIPC), \$0 of open-ended mutual funds was collateralized and not exposed to custodial credit risk and \$ was collateralized with an irrevocable stand-by letter of credit. The remaining investments of \$0 were uninsured and uncollateralized.

At June 30, 2017, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Debt securities:				
Corporate bonds	\$ -	\$ -	\$ -	\$ -
Equity securities:				
Common stock - domestic	76,781	76,781	-	-
Mutual funds:				
Equity - domestic	103,263	103,263	-	-
Equity - foreign	73,078	73,078	-	-
Fixed income - domestic	397,244	397,244	-	-
Fixed income - foreign	24,840	24,840	-	-
Certificates of deposit	-	-	-	-
	<u>\$ 675,206</u>	<u>\$ 675,206</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2017:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
	June 30, 2017 Total			
<u>Investments by fair value level</u>				
Debt securities:				
Corporate bonds	\$ -	\$ -	\$ -	\$ -
Total debt securities	-	-	-	-
Equity securities:				
Common stock - domestic	76,781	76,781	-	-
Mutual funds - domestic and foreign	598,425	598,425	-	-
Total equity securities	675,206	675,206	-	-
Total investments by fair value level	675,206	\$ 675,206	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	18,783			
Total cash equivalents measured at the NAV	18,783			
Total investments and cash equivalents measured at fair value	\$ 693,989			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2017 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$ 0 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Town does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 1,549,695	\$ 6,680,700
Nonmajor special revenue funds	3,731,178	450,037
Nonmajor capital projects funds	2,840,497	-
Nonmajor permanent funds	109,025	-
Proprietary funds	-	1,099,658
	<u>\$ 8,230,395</u>	<u>\$ 8,230,395</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	5,313	-	-	5,313
	<u>10,956,219</u>	<u>-</u>	<u>-</u>	<u>10,956,219</u>
Depreciated assets:				
Land improvements	2,203,634	-	-	2,203,634
Buildings and improvements	43,225,868	-	(782,337)	42,443,531
Machinery, equipment and vehicles	8,792,384	271,536	-	9,063,920
Infrastructure	11,733,737	259,007	-	11,992,744
	<u>65,955,623</u>	<u>530,543</u>	<u>(782,337)</u>	<u>65,703,829</u>
Less: accumulated depreciation	<u>(39,465,076)</u>	<u>(2,101,168)</u>	<u>1,389,632</u>	<u>(40,176,612)</u>
	<u>26,490,547</u>	<u>(1,570,625)</u>	<u>607,295</u>	<u>25,527,217</u>
Net capital assets	<u>\$ 37,446,766</u>	<u>\$ (1,570,625)</u>	<u>\$ 607,295</u>	<u>\$ 36,483,436</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 285,980	\$ -	\$ -	\$ 285,980
Construction in progress	11,565,258	-	(11,565,258)	-
	<u>11,851,238</u>	<u>-</u>	<u>(11,565,258)</u>	<u>285,980</u>
Depreciated assets:				
Buildings and improvements	18,646,324		-	18,646,324
Machinery, equipment and vehicles	627,629		(176,972)	450,657
Infrastructure	44,668	11,565,258	-	11,609,926
	<u>19,318,621</u>	<u>11,565,258</u>	<u>(176,972)</u>	<u>30,706,907</u>
Less: accumulated depreciation	<u>(7,530,196)</u>	<u>(590,656)</u>	<u>142,045</u>	<u>(7,978,807)</u>
	<u>11,788,425</u>	<u>10,974,602</u>	<u>(34,927)</u>	<u>22,728,100</u>
Net capital assets	<u>\$ 23,639,663</u>	<u>\$ 10,974,602</u>	<u>\$ (11,600,185)</u>	<u>\$ 23,014,080</u>
<u>Current year depreciation expense:</u>				
General government				\$ 119,758
Police				78,772
Fire				206,311
Public works				594,512
Recreation and culture				162,253
Health and sanitation				29,101
School department				799,146
Town-wide				111,315
Subtotal governmental				<u>2,101,168</u>
Sewer department				
Subtotal business-type				<u>590,656</u>
Total depreciation expense				<u>\$ 2,691,824</u>

NOTE 5 - SHORT-TERM DEBT

On September 11, 2015, the Town issued a bond anticipation note in anticipation of bond revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$9,000,000 at 1.00% interest with a maturity date of September 15, 2016.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - SHORT-TERM DEBT (CONTINUED)

Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance, 7/1/16	Additions	Reductions	Balance, 6/30/17
Bond anticipation note	\$ -	\$ -	\$ -	\$ -

On September 11, 2016 the note was paid in full. Interest expense for short-term debt activity during the year totaled \$17,947.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

	Balance, 7/1/16 (Restated)	Additions	Deletions	Balance, 6/30/17	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 16,392,957	\$ 1,140,000	\$ (2,435,075)	\$ 15,097,882	\$ 1,297,478
Capital leases payable	199,989		(157,344)	42,645	
Accrued compensated absences	1,052,510		(348,032)	704,478	-
Pension benefit obligations	1,753,676	-	-	1,753,676	-
Net pension liability	3,163,722	2,627,955	(708,769)	5,082,908	-
Total Governmental Activities	<u>\$ 22,562,854</u>	<u>\$ 3,767,955</u>	<u>\$ (3,649,220)</u>	<u>\$ 22,681,589</u>	<u>\$ 1,297,478</u>
<u>Business-type Activities</u>					
Bonds payable	\$ 14,852,933	\$ -	\$ (2,213,581)	\$ 12,639,352	\$ 608,813
Capital leases payable	3,685	-	(737)	2,948	
Accrued compensated absences	143,808	20,703	-	164,511	-
Net pension liability	329,838	195,917	(42,577)	483,178	-
Total Business-type Activities	<u>\$ 15,330,264</u>	<u>\$ 216,620</u>	<u>\$ (2,256,895)</u>	<u>\$ 13,289,989</u>	<u>\$ 608,813</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

<u>Bonds</u>	<u>Governmental</u>	<u>Business-type</u>
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October of 2022. Interest is charged at 1.94% per annum. Annual principal installments vary.	\$ -	\$ 426,237
\$675,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate from 2.00% to 4.00% per annum. Annual principal installments are \$30,000 to \$35,000.	500,000	-
\$6,525,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate varying from 2.00% to 4.00% per annum. Annual principal installments are \$325,000 to \$330,000.	4,900,000	-
\$3,268,766, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April of 2030. Interest is charged at 1.00% per annum. Annual principal installments vary from \$148,142 to \$179,346.		2,197,903
\$5,500,000, 2012 General Obligation Bond due in annual principal installments and semiannual interest installments through January of 2032. Interest is charged at a rate from 2.00% to 3.15% per annum. Annual principal installments are \$275,000.	4,125,000	
\$2,100,000, 2013 General Obligation Bond due in annual principal installments and semiannual interest installments through December of 2022. Interest is charged at a rate from 1.50% to 2.00% per annum. Annual principal installments are \$210,000.	1,260,000	
\$150,000, 2014 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2034. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$6,043 to \$10,111.	137,882	-
\$958,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$95,000 to \$103,000.	855,000	-
\$1,300,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments are \$130,000.	1,170,000	-

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
\$821,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$80,000 to \$86,000.	735,000	-
\$11,990,025, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate of 1.00% per annum. Annual principal installments vary from \$377,865 to \$742,381.		10,015,212
\$275,000, 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate from 0.91% to 3.50% per annum. Annual principal installments vary from \$11,352 to \$17,779.	275,000	-
\$1,140,000 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2026. Interest is charged at a rate from 2% to 2.25% per annum. Annual Installments vary from \$1147,100 to 111,237.50.	1,140,000	-
	<u>\$ 15,097,882</u>	<u>\$ 12,639,352</u>

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,297,478	\$ 380,378	\$ 1,677,856
2019	1,287,662	354,817	1,642,479
2020	1,287,884	327,845	1,615,729
2021	1,283,148	300,206	1,583,354
2022	1,283,455	282,825	1,566,280
2023-2027	5,258,270	933,664	6,191,934
2028-2032	3,287,692	332,668	3,620,360
2033-2037	112,293	9,099	121,392
	<u>\$ 15,097,882</u>	<u>\$ 2,921,502</u>	<u>\$ 18,019,384</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 608,813	\$ 159,241	\$ 768,054
2019	615,359	152,508	767,867
2020	622,003	144,341	766,344
2021	626,620	137,934	764,554
2022	631,183	134,003	765,186
2023-2027	3,464,182	599,373	4,063,555
2028-2032	3,548,021	417,002	3,965,023
2033-2037	2,523,171	179,476	2,702,647
	<u>\$ 12,639,352</u>	<u>\$ 1,923,878</u>	<u>\$ 14,563,230</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2017 was \$471,037.

The total long-term debt presented for the business-type activities varies from the total amount presented on the proprietary funds statement of net position due to the undrawn portion of the 2015 General Obligation Bond as of June 30, 2017. As such, the proprietary funds statement of net position reports the amount that has been drawn down as of June 30, 2017, while the long-term debt schedule, presented above, reports the entire amount of the bond for which the Town is liable. Subsequent to the Town's year end, the amount remaining on the bond was drawn down.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding capital leases payable:

	<u>Governmental</u>	<u>Business-type</u>
<u>Capital Leases</u>		
\$522,755, 2011 Capital Lease payable to Gorham Leasing Group for HVAC equipment, due in annual installments of \$115,228 through August of 2016. Interest is charged at a rate of 3.33% per annum.	\$ -	\$ -
\$168,719, 2011 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopiers, due in annual installments of \$37,254 through August of 2016. Interest is charged at a rate of 3.49% per annum.	-	-
\$56,202, 2015 Capital Lease payable to Norway Savings Bank for photocopiers, due in annual installments of \$12,234 through August of 2020. Interest is charged at a rate of 2.890% per annum.	42,645	2,948
	<u>\$ 42,645</u>	<u>\$ 2,948</u>

Future minimum payments, by year and in the aggregate, under these leases are as follows:

	<u>Governmental</u>	<u>Business-type</u>
2018	\$ 11,410	\$ 823
2019	11,432	802
2020	11,453	781
2021	11,474	759
2022	-	-
Total minimum lease payments	45,769	3,165
Less: Amount representing interest	(3,124)	(217)
Present value of future minimum lease payments	<u>\$ 42,645</u>	<u>\$ 2,948</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2017, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 368,564
Inventory	26,728
Nonmajor special revenue funds (Schedule E)	11,932
Nonmajor permanent funds (Schedule I)	60,000
	<u>\$ 467,224</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

General fund:	
Education	\$ 1,058,525
Nonmajor special revenue funds (Schedule E)	147,203
Nonmajor capital projects funds (Schedule G)	1,786,848
Nonmajor permanent funds (Schedule I)	722,453
	<u>\$ 3,715,029</u>

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2017, the Town had the following committed fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 3,383,972
Nonmajor capital projects funds (Schedule G)	1,186,823
	<u>\$ 4,570,795</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 171,376
	<u>\$ 171,376</u>

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2017, the Town had the following deficit fund balances:

Nonmajor funds:	
Oil and more donations	\$ 15
Town Pier	69,310
Dispatch Center	1,000
Brownfields	1,372
Police new officer	24
Total	<u>\$ 71,721</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2017, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 4,900,000	5.05%	<u>\$ 247,450</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police and fire department employees are part of the PLDs special plan "1C" (effective July 1, 2007) and are required to contribute 8.0% of their annual salary, while all other employees are part of regular plan "AC" and are required to contribute 8.0% of their annual salary. The Town is required to contribute the actuarially determined rates of 14.2% for special plan "1C" members' covered payroll and 9.5% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2017 was \$503,516.

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Town's teachers are required to contribute 7.65% of their compensation to the retirement system. The Town's payroll for teachers covered by this program was approximately \$7,808,673 for the year ended June 30, 2017. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 10.02% of the Town's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$990,140 for the year ended June 30, 2017.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Title 5 of the Maine Revised Statutes Annotated also requires the Town to contribute at an actuarially determined normal cost rate of 3.36%, which totaled \$272,919 for 2017. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$28,172 the year ended June 30, 2017.

Pension Liabilities

PLD Consolidated Plan

At June 30, 2017, the Town reported a liability of \$5,257,645 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was 0.989524%, which was a decrease of 0.030138% from its proportion measured as of June 30, 2015.

SET Plan

At June 30, 2017, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 308,441
State's proportionate share of the net pension liability associated with the Town	<u>11,131,629</u>
Total	<u><u>\$ 11,440,070</u></u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2016, the Town's proportion was 0.017459%, which was a decrease of 0.000345% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Town recognized total pension expense of \$420,802 for the PLD plan and total pension expense of \$1,134,377 and revenue of \$1,096,024 for support provided by the State of Maine for the SET plan. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,735	\$ 338,165	\$ 5,965	\$ 583
Changes of assumptions	563,633	-	-	7,922
Net difference between projected and actual earnings on pension plan investments	1,942,872	808,597	98,493	40,357
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,259	82,408	(1)	9,195
Contributions subsequent to the measurement date	503,516	-	299,625	-
Total	<u>\$ 3,131,015</u>	<u>\$ 1,229,170</u>	<u>\$ 404,082</u>	<u>\$ 58,057</u>

\$503,516 for the PLD plan and \$299,625 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	PLD Plan	SET Plan
Year ended June 30:		
2017	\$ 282,087	\$ (1,608)
2018	190,811	4,997
2019	622,408	27,740
2020	303,022	15,271
2021	-	-
Thereafter	-	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2016 and 2015, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a closed basis over a period of twenty years.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 and June 30, 2015 are as follows:

Investment Rate of Return - For both the PLD and State Employee and Teacher Plans, 6.875% per annum for the year ended June 30, 2016 and 7.125% per annum for the year ended June 30, 2015, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75%-9% per year and 2.75%-14.5% for SET for the year ended June 30, 2016, and 3.5%-9.5% per year and 3.5%-13.5% respectively for the year ended June 30, 2015.

Mortality Rates - for active member and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used for FY2016. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. RP2000 Combined Mortality projected forward to 2015 using Scale AA; for active members and non-disabled retirees, ages are set back 2 years; for disabled recipients the Revenue Ruling 96-7 Disabled Mortality Table for Males & Females is used.

Cost of Living Benefit Increases – for participating local districts and state employees and teachers, 2.2% per annum for the year ended June 30, 2016 and 2.55% per annum for the year ended June 30, 2015.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation)

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2016 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investments purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% and 7.125% for each of the Plans in 2016 and 2015 respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for each of the Plans.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 8,726,743	\$ 5,257,645	\$ 1,991,612
<u>SET Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 493,893	\$ 308,441	\$ 153,869

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2016, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (800) 451-9800.

NOTE 14 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT
CORPORATION

A. Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all Town employees permits them to defer a portion of their salary, in addition to Town contributions, until future years. Employee's participation in this plan is voluntary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - DEFERRED COMPENSATION PLAN (CONTINUED)

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. Effective July 1, 2001, the Town agrees to expand the coverage of the ICMA-RC 457 plan currently in effect. This plan will be available for current employees who are not enrolled in the Maine State Retirement System and any newly-hired employee who wishes to enroll in the ICMA plan instead of the MSRS plan. The Town will match the employee's contribution into the 457 plan, up to a maximum Town contribution of six percent. The Town will make a contribution to either MSRS or the ICMA plan, but not both.

The Town's contributions to the plan for the year ended June 30, 2017 were \$23,138.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all School Department employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the Town had the following overspent appropriations:

General government	\$ 4,363
Grant funds/misc. accounts	701
Total	<u>\$ 5,064</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 17 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing Town employees. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

Funding policy – The Town currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following is the current census of Town benefit participants as of June 30, 2015 (the most current period available):

Active members	74
Retirees and spouses	<u>18</u>
Total	<u><u>92</u></u>

The Town is considering its valuation of other postemployment benefits and a strategy to not only disclose a cost of the benefit, but to also comply with GASB Statement No. 45. The most recent available other postemployment benefit information follows:

Annual OPEB Cost and Net OPEB Obligations

The Town of Kittery's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year ended June 30, 2015 (the most current period available), the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual required contribution (ARC)	\$ 254,325
Interest on net OPEB obligation	65,374
Adjustment to annual required contribution	<u>(92,680)</u>
Annual OPEB cost	227,019
Contributions made	<u>(107,695)</u>
Increase in net OPEB obligation	119,324
Net OPEB obligation, beginning of year	<u>1,634,352</u>
Net OPEB obligation, end of year	<u><u>\$ 1,753,676</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented below. Data is presented for the fiscal years ended June 30, 2011 through June 30, 2015 (the most current period available).

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
06/30/11	\$ 291,507	\$ 115,000	39.5%	\$ 1,192,562
06/30/12	\$ 282,906	\$ 121,000	42.8%	\$ 1,354,468
06/30/13	\$ 283,464	\$ 121,000	42.7%	\$ 1,516,932
06/30/14	\$ 251,197	\$ 133,777	53.3%	\$ 1,634,352
06/30/15	\$ 227,019	\$ 107,695	47.4%	\$ 1,753,676

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit (PUC) method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

An annual healthcare cost blended trend rate of 3.00% for pre 65 and 0.00% for post 65 were initially used, decreasing at a variable rate per year to an ultimate rate of 4.00% for 2029 and later. The remaining amortization period at June 30, 2015 was 28 years. As of July 1, 2013, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial accrued liability for benefits was approximately \$2,932,443, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2,932,443.

These numbers are based on information that was presented for the year ending June 30, 2015 (the most recent period available). The amortization method that was used to calculate the numbers is presented below.

	Level Dollar
Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	\$ 2,932,443
Value of assets	-
Unfunded liability	<u>\$ 2,932,443</u>
Normal cost	\$ 86,325
Amortization of unfunded	163,061
Interest	4,939
Annual required contribution	<u><u>\$ 254,325</u></u>

The required schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

It is the intention of the Town to update the necessary information related to its other postemployment benefits for the year ended June 30, 2018.

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

The Town has established several tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Kittery, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

Municipal Development District #1 (Mixed Use)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #1 is 79.94 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$3,156,500. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$14,750,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$4,350,411. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

Municipal Development District #2 (Route 1 Shopping Corridor)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #2 is 146.77 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, upgrade of Pepperrell Cove piers, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$15,919,000. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$30,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$9,065,215. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

Municipal Development District #3 (Business Park)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #3 is 132.78 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$2,105,200. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$29,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$8,648,766. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

Tax Abatements:

As noted above, the Town of Kittery has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

and public infrastructure improvement. The Town has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value	TIF Cap	New Taxes	Taxes Abated
TIF District #1 (Mixed Use)	\$ 3,156,500	\$ 3,033,800	75%	\$ -	\$ -
TIF District #2 (Route 1 Shopping Corridor)	15,919,000	20,330,100	75%	70,798	-
TIF District #3 (Business Park)	2,105,200	3,058,800	75%	15,305	-

The Town has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 20 - COLLATERALIZATION

At June 30, 2017, the Town has two outstanding irrevocable standby letters of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. These letters of credit, which all expire at the close of business on July 15, 2017, authorize one draw each only up to the amount of \$16,000,000 and \$2,000,000, respectively. There were no draws for the year ended June 30, 2017.

NOTE 21 - RESTATEMENTS

The beginning fund balances of the general fund, special revenue funds and capital projects funds have been restated as of July 1, 2015. These balances were restated to reclassify amounts committed in the general fund as special revenue funds and capital projects funds. The beginning fund balances of the general fund, special revenue funds and capital projects funds were restated by (\$1,127,786), \$841,307, and \$286,479, respectively.

The beginning fund balance of the permanent funds has been restated as of July 1, 2015. This balance was restated to include the George Smart Santa Fund. The permanent funds were restated by \$4,879.

The beginning net position of the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the capital leases balance. The governmental activities were restated by (\$12,714).

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 21 – RESTATEMENTS (CONTINUED)

The net restatement to the general fund, special revenue funds, capital projects funds, permanent funds and governmental activities was (\$1,127,786), \$841,307, \$286,479, \$4,879 and (\$7,835), respectively.

The beginning balance of the sewer fund and the business-type activities were restated by (\$274,765) for various adjustments.

NOTE 22 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 23 - SUBSEQUENT EVENTS

Original Issuance

On or around June of 2013, the Town voted to borrow approximately \$11.9 million, for various sewer projects. Much of this project is centered around a TIF which has already been approved by the Town and the Department of Economic and Community Development. Also as part of this sewer expansion, many sewer users, because of an existing Town ordinance, were required to hook up to this sewer expansion. There was a betterment fee incurred to the sewer users and the Town has agreed to charge a set amount for this betterment fee and work with the sewer users to allow them to finance this fee. There are many financial implications to this whole project to which the amount and the financial impact cannot be determined as of the date of these financial statements.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information
- Schedule of Funding Progress for Retiree Healthcare Plan

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 6,205,798	\$ 6,205,798	\$ 6,205,798	\$ -
Resources (Inflows):				
General tax revenue	24,588,254	24,588,254	24,700,481	112,227
Intergovernmental revenue	1,825,442	1,825,442	1,921,119	95,677
Charges for services	1,772,016	1,772,016	2,051,948	279,932
Investment income	33,489	33,489	39,456	5,967
Other revenue	212,100	212,100	192,983	(19,117)
Transfers from other funds	411,095	411,095	411,095	-
Amounts Available for Appropriation	<u>35,048,194</u>	<u>35,048,194</u>	<u>35,522,880</u>	<u>474,686</u>
Charges to Appropriations (Outflows):				
General government	1,918,725	1,969,003	1,973,366	(4,363)
Public safety	3,557,230	3,593,939	3,591,243	2,696
Public works	1,226,757	1,264,649	1,216,495	48,154
Recreation and culture	2,170,392	2,170,392	2,168,957	1,435
Health and sanitation	655,333	675,333	652,707	22,626
Social services	52,356	72,962	71,761	1,201
Education	16,197,843	16,117,843	15,642,828	475,015
County tax	909,420	909,420	909,420	-
TIF	60,901	60,901	60,901	-
Debt service:				
Principal	674,076	674,076	674,076	-
Interest	232,325	232,325	232,325	-
Overlay	92,479	10,067	10,067	-
Grant funds/misc. accounts	109,275	159,246	159,947	(701)
Transfers to other funds	1,301,034	1,506,034	1,487,078	18,956
Total Charges to Appropriations	<u>29,158,146</u>	<u>29,416,190</u>	<u>28,851,171</u>	<u>565,019</u>
Budgetary Fund Balance, June 30	<u>\$ 5,890,048</u>	<u>\$ 5,632,004</u>	<u>\$ 6,671,709</u>	<u>\$ 1,039,705</u>
Utilization of unassigned fund balance	\$ -	\$ 158,863	\$ -	\$ (158,863)
Utilization of assigned fund balance	-	74,000	-	(74,000)
Utilization of committed fund balance	-	25,181	-	(25,181)
Utilization of restricted fund balance	315,750	315,750	-	(315,750)
	<u>\$ 315,750</u>	<u>\$ 573,794</u>	<u>\$ -</u>	<u>\$ (573,794)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>			
Proportion of the net pension liability	0.99%	1.02%	1.00%
Proportionate share of the net pension liability	\$ 5,257,645	\$ 3,253,198	\$ 1,538,376
Covered employee payroll	\$ 4,437,060	\$ 4,374,536	\$ 4,052,282
Proportionate share of the net pension liability as a percentage of its covered employee payroll	118.49%	74.37%	37.96%
Plan fiduciary net position as a percentage of the total pension liability	81.60%	88.30%	94.10%
<u>SET Plan:</u>			
School Department's proportion of the net pension liability	0.02%	0.02%	0.02%
School Department's proportionate share of the net pension liability	\$ 308,441	\$ 240,362	\$ 204,809
State's proportionate share of the net pension liability associated with the School Department	<u>11,131,629</u>	<u>8,327,329</u>	<u>6,502,031</u>
Total	<u>\$ 11,440,070</u>	<u>\$ 8,567,691</u>	<u>\$ 6,706,840</u>
School Department's covered employee payroll	\$ 7,602,064	\$ 7,506,846	\$ 6,957,837
School Department's proportionate share of the net pension liability as a percentage of its covered employee payroll	4.06%	3.20%	2.94%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	81.18%	83.91%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2017	2016	2015
<u>PLD Plan:</u>			
Contractually required contribution	\$ 503,516	\$ 464,330	\$ 416,802
Contributions in relation to the contractually required contribution	<u>(503,516)</u>	<u>(464,330)</u>	<u>(416,802)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,621,325	\$ 4,437,060	\$ 4,374,536
Contributions as a percentage of covered employee payroll	10.90%	10.46%	9.53%
<u>SET Plan:</u>			
Contractually required contribution	\$ 299,625	\$ 277,171	\$ 220,876
Contributions in relation to the contractually required contribution	<u>(299,625)</u>	<u>(277,171)</u>	<u>(220,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Department's covered employee payroll	\$ 8,075,196	\$ 7,602,064	\$ 7,506,846
Contributions as a percentage of covered employee payroll	3.71%	3.65%	2.94%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. Annual salary increases, including inflation, changed from 3.50% - 9.50% to 2.75% - 9.00%, for the PLD Consolidated Plan and from 3.50% - 13.50% to 2.75% - 14.50%, for the SET Plan. There was also a change in the cost of living benefit increase from 2.55% to 2.20%. Finally, the mortality rates for active members, nondisabled retirees and recipients of disability benefits, were determined using the RP2014 Total Dataset Healthy Annuitant Mortality Table and the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, compared to the RP2000 Tables projected forward and the Revenue Ruling 96-7 Disabled Mortality Table used in the prior year.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN
FOR THE YEARS ENDED JUNE 30,

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
06/30/11	\$ -	\$ 3,146,751	0.0%	N/A	N/A
06/30/12	\$ -	\$ 3,146,751	0.0%	N/A	N/A
06/30/13	\$ -	\$ 3,146,751	0.0%	N/A	N/A
06/30/14	\$ -	\$ 3,151,662	0.0%	\$ 4,118,570	76.52%
06/30/15	\$ -	\$ 2,932,443	0.0%	\$ 4,200,941	69.80%

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Fiduciary Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Fiduciary Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Student Activities Funds - Agency Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 22,930,880	\$ 22,930,880	\$ 22,837,805	\$ (93,075)
Vehicle excise taxes	1,630,141	1,630,141	1,836,540	206,399
Boat excise taxes	27,233	27,233	26,136	(1,097)
Intergovernmental revenues:				
Education subsidy	702,461	702,461	702,461	-
State revenue sharing	393,604	393,604	403,294	9,690
Homestead exemption	167,902	167,902	170,311	2,409
Other education revenue	250,000	250,000	344,742	94,742
GMH Housing	275,875	275,875	266,849	(9,026)
General assistance	32,600	32,600	30,704	(1,896)
Other	3,000	3,000	2,758	(242)
Charges for services:				
Recreation fees	775,000	775,000	932,263	157,263
Code enforcement fees	200,000	200,000	280,816	80,816
Registration fees	26,835	26,835	28,598	1,763
Town clerk fees	21,564	21,564	22,915	1,351
Planning fees	13,316	13,316	16,274	2,958
Solid waste/recycling	132,515	132,515	95,028	(37,487)
Solid waste/permits	47,640	47,640	82,161	34,521
Fort Foster fees	176,499	176,499	198,952	22,453
Dispatching services	106,000	106,000	106,000	-
Police department	51,005	51,005	61,565	10,560
Animal control	8,242	8,242	8,453	211
Public works	11,500	11,500	11,500	-
Mooring/launch fees	121,900	121,900	120,957	(943)
Harbor fees	15,000	15,000	11,713	(3,287)
School resource officer	40,000	40,000	40,000	-
Education	25,000	25,000	34,753	9,753
Investment income:				
Investment income	33,489	33,489	39,456	5,967
Other income:				
Interest/fees on taxes	92,179	92,179	46,265	(45,914)
Payment in lieu of taxes	30,000	30,000	22,500	(7,500)
Other income	26,890	26,890	49,152	22,262
Rent	22,900	22,900	22,900	-
Other reimbursements	9,631	9,631	6,626	(3,005)
Education	30,500	30,500	45,540	15,040
Transfers from other funds:				
Special revenue funds	411,095	411,095	411,095	-
Total revenues	<u>\$ 28,842,396</u>	<u>\$ 28,842,396</u>	<u>\$ 29,317,082</u>	<u>\$ 474,686</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
General government					
Administration	\$ 1,041,888	\$ 42,530	\$ 1,084,418	\$ 1,082,056	\$ 2,362
Assessing	129,564	7,748	137,312	137,312	-
Code enforcement	421,375	-	421,375	420,306	1,069
Insurance	288,935	-	288,935	298,168	(9,233)
Planning board	15,704	-	15,704	15,265	439
Elections	13,603	-	13,603	12,603	1,000
Council	7,656	-	7,656	7,656	-
	<u>1,918,725</u>	<u>50,278</u>	<u>1,969,003</u>	<u>1,973,366</u>	<u>(4,363)</u>
Public safety					
Police department	2,864,681		2,864,681	2,856,798	7,883
Fire department	326,273	11,528	337,801	337,801	-
Street lights	119,000	25,181	144,181	149,868	(5,687)
Hydrants	246,776	-	246,776	246,776	-
Civil emergency preparedness	500	-	500	-	500
	<u>3,557,230</u>	<u>36,709</u>	<u>3,593,939</u>	<u>3,591,243</u>	<u>2,696</u>
Public works					
Highways	1,226,757	37,892	1,264,649	1,216,495	48,154
	<u>1,226,757</u>	<u>37,892</u>	<u>1,264,649</u>	<u>1,216,495</u>	<u>48,154</u>
Recreation and culture					
Parks	146,582	-	146,582	155,388	(8,806)
Fort Foster	174,923	-	174,923	167,409	7,514
Recreation	1,264,531	-	1,264,531	1,261,804	2,727
Library	457,380	-	457,380	457,380	-
Port Authority	126,976	-	126,976	126,976	-
	<u>2,170,392</u>	<u>-</u>	<u>2,170,392</u>	<u>2,168,957</u>	<u>1,435</u>
Health and sanitation					
Solid waste	655,333	20,000	675,333	652,707	22,626
	<u>655,333</u>	<u>20,000</u>	<u>675,333</u>	<u>652,707</u>	<u>22,626</u>
Social services					
General assistance	40,000	20,606	60,606	59,440	1,166
Community agencies	11,765	-	11,765	11,730	35
Public health services	591	-	591	591	-
	<u>52,356</u>	<u>20,606</u>	<u>72,962</u>	<u>71,761</u>	<u>1,201</u>

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
Education	16,197,843	(80,000)	16,117,843	15,642,828	475,015
County tax	909,420	-	909,420	909,420	-
TIF	60,901	-	60,901	60,901	-
Debt service					
Principal	674,076	-	674,076	674,076	-
Interest	232,325	-	232,325	232,325	-
	906,401	-	906,401	906,401	-
Overlay	92,479	(82,412)	10,067	10,067	-
Grant funds/misc. accounts					
EPA stormwater program	17,500	-	17,500	17,125	375
Memorial day activities	675	-	675	732	(57)
Computer repair	25,000	-	25,000	46,905	(21,905)
Seacoast shipyard	1,500	-	1,500	1,500	-
Shellfish conservation	2,900	-	2,900		2,900
Conservation commission	500	-	500	110	390
Self insurance claims		14,000	14,000	18,520	(4,520)
Grant matching funds		19,863	19,863	22,646	(2,783)
Mosquito/tick control	30,000	-	30,000	22,185	7,815
GIS/web account	3,600	-	3,600	3,600	-
PSAP paid to York police dept.	27,000	-	27,000	26,067	933
Bank fees	600	-	600	557	43
Transfers		16,108	16,108	-	16,108
	109,275	49,971	159,246	159,947	(701)
Transfers to other funds					
Special revenue funds	92,059	125,000	217,059	198,103	18,956
Capital projects funds	1,208,975	-	1,208,975	1,208,975	-
Enterprise funds	-	80,000	80,000	80,000	-
	1,301,034	205,000	1,506,034	1,487,078	18,956
Total Expenditures	\$ 29,158,146	\$ 258,044	\$ 29,416,190	\$ 28,851,171	\$ 565,019

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 131	\$ -	\$ -	\$ 131
Investments	-	-	675,206	675,206
Accounts receivable (net of allowance for uncollectibles)	26,808	145,980	-	172,788
Due from other governments	407,641	-	-	407,641
Prepaid items	100	-	-	100
Inventory	11,832	-	-	11,832
Due from other funds	3,731,178	2,840,497	109,025	6,680,700
TOTAL ASSETS	<u>\$ 4,177,690</u>	<u>\$ 2,986,477</u>	<u>\$ 784,231</u>	<u>\$ 7,948,398</u>
LIABILITIES				
Accounts payable	\$ 71,040	\$ 12,313	\$ 2,550	\$ 85,903
Accrued expenses	8,305	-	-	8,305
Due to other funds	450,037	-	-	450,037
TOTAL LIABILITIES	<u>529,382</u>	<u>12,313</u>	<u>2,550</u>	<u>544,245</u>
FUND BALANCES				
Nonspendable	11,932	-	60,000	71,932
Restricted	147,203	1,786,848	722,453	2,656,504
Committed	3,383,972	1,186,823	-	4,570,795
Assigned	171,376	-	-	171,376
Unassigned	(66,175)	493	(772)	(66,454)
TOTAL FUND BALANCES	<u>3,648,308</u>	<u>2,974,164</u>	<u>781,681</u>	<u>7,404,153</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,177,690</u>	<u>\$ 2,986,477</u>	<u>\$ 784,231</u>	<u>\$ 7,948,398</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE D

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 1,059,542	\$ 238,061	\$ -	\$ 1,297,603
Charges for services	391,188	-	-	391,188
Investment income, net of unrealized gains/(losses)	-	-	-	-
Interest income	15,914	12,484	-	28,398
Other income	839,419	25,000	7,047	871,466
TOTAL REVENUES	<u>2,306,063</u>	<u>275,545</u>	<u>7,047</u>	<u>2,588,655</u>
EXPENDITURES				
General government	153,676	-	36,228	189,904
Public safety	62,242	-	-	62,242
Public works	52,100	34,252	-	86,352
Health and sanitation	70,617	-	-	70,617
Recreation and culture	105,683	-	-	105,683
Education	1,580,492	142,659	-	1,723,151
Other	167,834	573,690	-	741,524
TOTAL EXPENDITURES	<u>3,844,716</u>	<u>1,355,935</u>	<u>36,228</u>	<u>5,236,879</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,538,653)</u>	<u>(1,080,390)</u>	<u>(29,181)</u>	<u>(2,648,224)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Premiums on bond issuance	-	-	-	-
Bond issuance costs	-	-	-	-
Transfers in	1,716,031	374,372	-	2,090,403
Transfers (out)	(1,014,420)	-	-	(1,014,420)
TOTAL OTHER FINANCING SOURCES (USES)	<u>701,611</u>	<u>374,372</u>	<u>-</u>	<u>1,075,983</u>
NET CHANGE IN FUND BALANCES	(837,042)	(706,018)	(29,181)	(1,572,241)
FUND BALANCES, JULY 1, RESTATED	<u>4,485,350</u>	<u>3,680,182</u>	<u>810,862</u>	<u>8,976,394</u>
FUND BALANCES, JUNE 30	<u>\$ 3,648,308</u>	<u>\$ 2,974,164</u>	<u>\$ 781,681</u>	<u>\$ 7,404,153</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	44,229	-	440,569	2,847	216	4,236	2,650
TOTAL ASSETS	<u>\$ 44,229</u>	<u>\$ -</u>	<u>\$ 440,569</u>	<u>\$ 2,847</u>	<u>\$ 216</u>	<u>\$ 4,236</u>	<u>\$ 2,650</u>
LIABILITIES							
Accounts payable	\$ 13,964		\$ 8,569	\$ -	\$ -	\$ -	
Accrued expenses	-		-	-	-	-	-
Due to other funds	-	15	-	-	-	-	-
TOTAL LIABILITIES	<u>13,964</u>	<u>15</u>	<u>8,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	30,265	-	432,000	2,847	216	4,236	2,650
Assigned	-	-	-	-	-	-	-
Unassigned	-	(15)	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>30,265</u>	<u>(15)</u>	<u>432,000</u>	<u>2,847</u>	<u>216</u>	<u>4,236</u>	<u>2,650</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 44,229</u>	<u>\$ -</u>	<u>\$ 440,569</u>	<u>\$ 2,847</u>	<u>\$ 216</u>	<u>\$ 4,236</u>	<u>\$ 2,650</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Accrued Compensated Absences	Ballot Counting Machines	GMH Fire/Police Protection	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	207,749	6,078	482	-	27,495	13,617	12,169
TOTAL ASSETS	<u>\$ 207,749</u>	<u>\$ 6,078</u>	<u>\$ 482</u>	<u>\$ -</u>	<u>\$ 27,495</u>	<u>\$ 13,617</u>	<u>\$ 12,169</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,751	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	69,310	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,310</u>	<u>4,751</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	207,749	6,078	482	-	22,744	13,617	12,169
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(69,310)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>207,749</u>	<u>6,078</u>	<u>482</u>	<u>(69,310)</u>	<u>22,744</u>	<u>13,617</u>	<u>12,169</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 207,749</u>	<u>\$ 6,078</u>	<u>\$ 482</u>	<u>\$ -</u>	<u>\$ 27,495</u>	<u>\$ 13,617</u>	<u>\$ 12,169</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Property Valuation	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	Town Access Control	TIF Financial Plan
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from other funds	3,479	59,296	62,074	59,047	687	972	-	221,908
TOTAL ASSETS	<u>\$ 3,479</u>	<u>\$ 59,296</u>	<u>\$ 62,074</u>	<u>\$ 59,047</u>	<u>\$ 687</u>	<u>\$ 972</u>	<u>\$ -</u>	<u>\$ 221,908</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 613	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	61,461	-	687	-	-	-
Committed	3,479	59,296	-	59,047	-	972	-	221,908
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>3,479</u>	<u>59,296</u>	<u>61,461</u>	<u>59,047</u>	<u>687</u>	<u>972</u>	<u>-</u>	<u>221,908</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,479</u>	<u>\$ 59,296</u>	<u>\$ 62,074</u>	<u>\$ 59,047</u>	<u>\$ 687</u>	<u>\$ 972</u>	<u>\$ -</u>	<u>\$ 221,908</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Comprehensive Plan Update	FEMA Maps Appeal	Dispatch Center	Sewer Impact Fees	Sewer Betterments	Brownfields	Drainage Products
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	6,479	8,312	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	25,000	20,000	-	484,236	108,635	-	4,168
TOTAL ASSETS	<u>\$ 25,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 490,715</u>	<u>\$ 116,947</u>	<u>\$ -</u>	<u>\$ 4,168</u>
LIABILITIES							
Accounts payable		\$ -	\$ -		\$ -	\$ -	\$ 990
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	1,000	-	-	1,372	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,372</u>	<u>990</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	25,000	20,000	-	490,715	116,947	-	3,178
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(1,000)	-	-	(1,372)	-
TOTAL FUND BALANCES (DEFICITS)	<u>25,000</u>	<u>20,000</u>	<u>(1,000)</u>	<u>490,715</u>	<u>116,947</u>	<u>(1,372)</u>	<u>3,178</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 25,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 490,715</u>	<u>\$ 116,947</u>	<u>\$ -</u>	<u>\$ 4,168</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	12,632	19,763	7,649	-	14,700	84,226	181,862
TOTAL ASSETS	<u>\$ 12,632</u>	<u>\$ 19,763</u>	<u>\$ 7,649</u>	<u>\$ -</u>	<u>\$ 14,700</u>	<u>\$ 84,226</u>	<u>\$ 181,862</u>
LIABILITIES							
Accounts payable	\$ -	\$ 609	\$ -	\$ -	\$ -	\$ 20,472	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,472</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	12,632	19,154	7,649	-	14,700	63,754	181,862
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>12,632</u>	<u>19,154</u>	<u>7,649</u>	<u>-</u>	<u>14,700</u>	<u>63,754</u>	<u>181,862</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 12,632</u>	<u>\$ 19,763</u>	<u>\$ 7,649</u>	<u>\$ -</u>	<u>\$ 14,700</u>	<u>\$ 84,226</u>	<u>\$ 181,862</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Parks Dept. Vehicle	Highway Equipment Reservation	Fort Foster Pier	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds			27	104,870	1,997	7,069	23,951
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 104,870</u>	<u>\$ 1,997</u>	<u>\$ 7,069</u>	<u>\$ 23,951</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -		\$ -	\$ -	
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	27	104,870	1,997	7,069	23,951
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>-</u>	<u>27</u>	<u>104,870</u>	<u>1,997</u>	<u>7,069</u>	<u>23,951</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 104,870</u>	<u>\$ 1,997</u>	<u>\$ 7,069</u>	<u>\$ 23,951</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Office Furniture Equipment	Police Vehicle Equipment	Solid Waste Equipment	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	4,451	50,581	12	170,772	20,845	3,848
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 4,451</u>	<u>\$ 50,581</u>	<u>\$ 12</u>	<u>\$ 170,772</u>	<u>\$ 20,845</u>	<u>\$ 3,848</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	4,451	50,581	12	170,772	20,845	3,848
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>4,451</u>	<u>50,581</u>	<u>12</u>	<u>170,772</u>	<u>20,845</u>	<u>3,848</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 4,451</u>	<u>\$ 50,581</u>	<u>\$ 12</u>	<u>\$ 170,772</u>	<u>\$ 20,845</u>	<u>\$ 3,848</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Kittery Community Center 5 Year	Kittery Port Authority Float & Ramp Pump	Port Authority Equipment	Government Pier Reserve	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	23,700	18,320	19,366	16,860	85,217	166,938	239,301
TOTAL ASSETS	<u>\$ 23,700</u>	<u>\$ 18,320</u>	<u>\$ 19,366</u>	<u>\$ 16,860</u>	<u>\$ 85,217</u>	<u>\$ 166,938</u>	<u>\$ 239,301</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	23,700	18,320	19,366	16,860	85,217	166,938	239,301
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>23,700</u>	<u>18,320</u>	<u>19,366</u>	<u>16,860</u>	<u>85,217</u>	<u>166,938</u>	<u>239,301</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 23,700</u>	<u>\$ 18,320</u>	<u>\$ 19,366</u>	<u>\$ 16,860</u>	<u>\$ 85,217</u>	<u>\$ 166,938</u>	<u>\$ 239,301</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Police New Officer	Storm Damage/ FEMA	Athletic Fields	Wave Attenuation	Wetland Mitigation	School Special Revenue Funds	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131	\$ 131
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	12,017	26,808
Due from other governments	-	-	-	-	-	407,641	407,641
Prepaid items	-	-	-	-	-	100	100
Inventory	-	-	-	-	-	11,832	11,832
Due from other funds	-	1,504	37,142	4,000	25,156	572,580	3,731,178
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,504</u>	<u>\$ 37,142</u>	<u>\$ 4,000</u>	<u>\$ 25,156</u>	<u>\$ 1,004,301</u>	<u>\$ 4,177,690</u>
LIABILITIES							
Accounts payable	-	\$ -	\$ -	\$ -	\$ -	\$ 21,072	\$ 71,040
Accrued expenses	-	-	-	-	-	8,305	8,305
Due to other funds	24	-	-	-	-	378,316	450,037
TOTAL LIABILITIES	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,693</u>	<u>529,382</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	11,932	11,932
Restricted	-	1,504	-	-	-	83,551	147,203
Committed	-	-	37,142	4,000	25,156	324,203	3,383,972
Assigned	-	-	-	-	-	171,376	171,376
Unassigned	(24)	-	-	-	-	5,546	(66,175)
TOTAL FUND BALANCES (DEFICITS)	<u>(24)</u>	<u>1,504</u>	<u>37,142</u>	<u>4,000</u>	<u>25,156</u>	<u>596,608</u>	<u>3,648,308</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 1,504</u>	<u>\$ 37,142</u>	<u>\$ 4,000</u>	<u>\$ 25,156</u>	<u>\$ 1,004,301</u>	<u>\$ 4,177,690</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
REVENUES							
Intergovernmental revenue	\$ -		\$ -	\$ -	\$ -	\$ 2,145	\$ -
Charges for services	49,078	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income		-	113,719	4,800	-	-	1,140
TOTAL REVENUES	<u>49,078</u>	<u>-</u>	<u>113,719</u>	<u>4,800</u>	<u>-</u>	<u>2,145</u>	<u>1,140</u>
EXPENDITURES							
General government	45,195			-	-	-	1,960
Public safety	-	15	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	2,050	-	-	-
Education	-	-	-	-	-	-	-
Other	-	-	49,538	-	-	-	-
TOTAL EXPENDITURES	<u>45,195</u>	<u>15</u>	<u>49,538</u>	<u>2,050</u>	<u>-</u>	<u>-</u>	<u>1,960</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,883</u>	<u>(15)</u>	<u>64,181</u>	<u>2,750</u>	<u>-</u>	<u>2,145</u>	<u>(820)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	3,883	(15)	64,181	2,750	-	2,145	(820)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>26,382</u>	<u>-</u>	<u>367,819</u>	<u>97</u>	<u>216</u>	<u>2,091</u>	<u>3,470</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 30,265</u>	<u>\$ (15)</u>	<u>\$ 432,000</u>	<u>\$ 2,847</u>	<u>\$ 216</u>	<u>\$ 4,236</u>	<u>\$ 2,650</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Accrued Compensated Absences	Ballot Counting Machines	GMH Fire/Police Protection	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	254,820	-	-	-	39,437	15,662	18,500
TOTAL REVENUES	<u>254,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,437</u>	<u>15,662</u>	<u>18,500</u>
EXPENDITURES							
General government	106,521	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	19,558
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	40,669	16,278	-
Education	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>106,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,669</u>	<u>16,278</u>	<u>19,558</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>148,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,232)</u>	<u>(616)</u>	<u>(1,058)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	60,609	-	-	35,646	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,609</u>	<u>-</u>	<u>-</u>	<u>35,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	208,908	-	-	35,646	(1,232)	(616)	(1,058)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>(1,159)</u>	<u>6,078</u>	<u>482</u>	<u>(104,956)</u>	<u>23,976</u>	<u>14,233</u>	<u>13,227</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 207,749</u>	<u>\$ 6,078</u>	<u>\$ 482</u>	<u>\$ (69,310)</u>	<u>\$ 22,744</u>	<u>\$ 13,617</u>	<u>\$ 12,169</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Property Valuation	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	Town Access Control	TIF Financial Plan
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 12,948	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other income	-	69,927	31,755	-	-	-	-	60,901
TOTAL REVENUES	-	69,927	31,755	-	12,948	-	-	60,901
EXPENDITURES								
General government	-	-	-	-	-	-	-	-
Public safety	-	9,825	25,559	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	17	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	68,566	-
Other	-	-	-	-	22,124	-	-	5,368
TOTAL EXPENDITURES	-	9,825	25,559	-	22,124	17	68,566	5,368
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	60,102	6,196	-	(9,176)	(17)	(68,566)	55,533
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	50,000	9,863	-	68,566	-
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	50,000	9,863	-	68,566	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	60,102	6,196	50,000	687	(17)	-	55,533
FUND BALANCES (DEFICITS), JULY 1, RESTATED	3,479	(806)	55,265	9,047	-	989	-	166,375
FUND BALANCES (DEFICITS), JUNE 30	\$ 3,479	\$ 59,296	\$ 61,461	\$ 59,047	\$ 687	\$ 972	\$ -	\$ 221,908

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Comprehensive Plan Update	FEMA Maps Appeal	Dispatch Center	Sewer Impact Fees	Sewer Betterments	Brownfields	Drainage Products
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,328	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	15,914	-	-
Other income	-	-	-	114,935	20,185	-	-
TOTAL REVENUES	-	-	-	114,935	36,099	39,328	-
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	4,883
Health and sanitation	-	-	-	-	-	40,700	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Other	34,669	-	-	-	-	-	-
TOTAL EXPENDITURES	34,669	-	-	-	-	40,700	4,883
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,669)	-	-	114,935	36,099	(1,372)	(4,883)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	30,000	-	-	-	-	-	24,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	30,000	-	-	-	-	-	24,000
NET CHANGE IN FUND BALANCES (DEFICITS)	(4,669)	-	-	114,935	36,099	(1,372)	19,117
FUND BALANCES (DEFICITS), JULY 1, RESTATED	29,669	20,000	(1,000)	375,780	80,848	-	(15,939)
FUND BALANCES (DEFICITS), JUNE 30	\$ 25,000	\$ 20,000	\$ (1,000)	\$ 490,715	\$ 116,947	\$ (1,372)	\$ 3,178

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	2,307	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,294,465	87,291
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	2,307	-	-	-	1,294,465	87,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,307)	-	-	-	(1,294,465)	(87,291)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	10,000	-	-	6,000	873,026	159,750
Transfers (out)	-	-	-	(247,525)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	-	(247,525)	6,000	873,026	159,750
NET CHANGE IN FUND BALANCES (DEFICITS)	-	7,693	-	(247,525)	6,000	(421,439)	72,459
FUND BALANCES (DEFICITS), JULY 1, RESTATED	12,632	11,461	7,649	247,525	8,700	485,193	109,403
FUND BALANCES (DEFICITS), JUNE 30	\$ 12,632	\$ 19,154	\$ 7,649	\$ -	\$ 14,700	\$ 63,754	\$ 181,862

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Parks Dept. Vehicle	Highway Equipment Reservation	Fort Foster Pier	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	8,973	17,713	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	3,527	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	23,000	-	-
Other	-	-	-	-	-	-	46,135
TOTAL EXPENDITURES	-	-	8,973	17,713	23,000	3,527	46,135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(8,973)	(17,713)	(23,000)	(3,527)	(46,135)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	35,000	5,000	5,000	35,000
Transfers (out)	(108,428)	(216,792)	(16,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(108,428)	(216,792)	(16,000)	35,000	5,000	5,000	35,000
NET CHANGE IN FUND BALANCES (DEFICITS)	(108,428)	(216,792)	(24,973)	17,287	(18,000)	1,473	(11,135)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	108,428	216,792	25,000	87,583	19,997	5,596	35,086
FUND BALANCES (DEFICITS), JUNE 30	\$ -	\$ -	\$ 27	\$ 104,870	\$ 1,997	\$ 7,069	\$ 23,951

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Office Furniture Equipment	Police Vehicle Equipment	Solid Waste Equipment	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	3,023	-	-	-	-	-
TOTAL REVENUES	-	3,023	-	-	-	-	-
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	29,917	-	-	-	-
Recreation and culture	-	-	-	-	-	-	30,267
Education	-	-	-	-	-	-	-
Capital outlay	-	70,509	-	-	9,500	-	-
Other	-	-	-	10,000	-	-	-
TOTAL EXPENDITURES	-	70,509	29,917	10,000	9,500	-	30,267
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(67,486)	(29,917)	(10,000)	(9,500)	-	(30,267)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	3,463	50,000	16,963	10,000	14,425	-	17,500
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,463	50,000	16,963	10,000	14,425	-	17,500
NET CHANGE IN FUND BALANCES (DEFICITS)	3,463	(17,486)	(12,954)	-	4,925	-	(12,767)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	(3,463)	21,937	63,535	12	165,847	20,845	16,615
FUND BALANCES (DEFICITS), JUNE 30	\$ -	\$ 4,451	\$ 50,581	\$ 12	\$ 170,772	\$ 20,845	\$ 3,848

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Kittery Community Center 5 Year	Kittery Port Authority Float & Ramp Pump	Port Authority Equipment	Government Pier Reserve	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	1,613	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	12,875	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	7,551	-	91,190
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	12,875	-	1,613	7,551	-	91,190
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(12,875)	-	(1,613)	(7,551)	-	(91,190)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	10,000	3,000	18,473	42,667	27,500	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	3,000	18,473	42,667	27,500	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(2,875)	3,000	16,860	35,116	27,500	(91,190)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	23,700	21,195	16,366	-	50,101	139,438	330,491
FUND BALANCES (DEFICITS), JUNE 30	\$ 23,700	\$ 18,320	\$ 19,366	\$ 16,860	\$ 85,217	\$ 166,938	\$ 239,301

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Police New Officer	Storm Damage/ FEMA	Athletic Fields	Wave Attenuation	Wetland Mitigation	School Special Revenue Funds	Total
REVENUES							
Intergovernmental revenue	\$ 7,261	\$ -	\$ -	\$ -	\$ -	\$ 997,860	\$ 1,059,542
Charges for services	-	-	-	-	-	342,110	391,188
Interest income	-	-	-	-	-	-	15,914
Other income	-	-	-	-	924	89,691	839,419
TOTAL REVENUES	<u>7,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>924</u>	<u>1,429,661</u>	<u>2,306,063</u>
EXPENDITURES							
General government	-	-	-	-	-	-	153,676
Public safety	7,285	-	-	-	-	-	62,242
Public works	-	16,611	-	-	-	-	52,100
Health and sanitation	-	-	-	-	-	-	70,617
Recreation and culture	-	-	-	-	-	-	105,683
Education	-	-	-	-	-	1,580,492	1,580,492
Other	-	-	-	-	-	-	167,834
TOTAL EXPENDITURES	<u>7,285</u>	<u>16,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580,492</u>	<u>3,844,716</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24)</u>	<u>(16,611)</u>	<u>-</u>	<u>-</u>	<u>924</u>	<u>(150,831)</u>	<u>(1,538,653)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	94,580	1,716,031
Transfers (out)	-	-	-	-	-	(425,675)	(1,014,420)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(331,095)</u>	<u>701,611</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(24)	(16,611)	-	-	924	(481,926)	(837,042)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	-	18,115	37,142	4,000	24,232	1,078,534	4,485,350
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (24)</u>	<u>\$ 1,504</u>	<u>\$ 37,142</u>	<u>\$ 4,000</u>	<u>\$ 25,156</u>	<u>\$ 596,608</u>	<u>\$ 3,648,308</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust fund.

SCHEDULE G

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Community Center	Town Facilities	Roads	Fire Fighters' SCBA's	Street Lights	Pepperill Coves Paving/ Utilities	Fire Department Facility	Emery Field Phase 1 LCWF Grant	Public Works Sign Shed
ASSETS									
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,615	\$ -
Due from other funds	373	31,146	771,308	493	-	21,462	36,340	41,795	20
TOTAL ASSETS	<u><u>\$ 373</u></u>	<u><u>\$31,146</u></u>	<u><u>\$771,308</u></u>	<u><u>\$ 493</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,462</u></u>	<u><u>\$ 36,340</u></u>	<u><u>\$ 83,410</u></u>	<u><u>\$ 20</u></u>
LIABILITIES									
Accounts payable	\$ -	\$ 6,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>6,891</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>564</u></u>	<u><u>-</u></u>
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	373	24,255	771,308	-	-	-	-	-	-
Committed	-	-	-	-	-	21,462	36,340	82,846	20
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	493	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u><u>373</u></u>	<u><u>24,255</u></u>	<u><u>771,308</u></u>	<u><u>493</u></u>	<u><u>-</u></u>	<u><u>21,462</u></u>	<u><u>36,340</u></u>	<u><u>82,846</u></u>	<u><u>20</u></u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u><u>\$ 373</u></u>	<u><u>\$31,146</u></u>	<u><u>\$771,308</u></u>	<u><u>\$ 493</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,462</u></u>	<u><u>\$ 36,340</u></u>	<u><u>\$ 83,410</u></u>	<u><u>\$ 20</u></u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Boat Infrastructure Grant	Capital Improvement	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights	Route 1 Bypass/Two Way	Ogden Prog Dev Grant	School Capital Projects Funds	Total
ASSETS									
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ 104,365	\$ -	\$ -	\$ -	\$ -	\$ 145,980
Due from other funds	1,584	6,397	12,635	861,405	1,057	2,500	30,000	1,021,982	2,840,497
TOTAL ASSETS	<u>\$ 1,584</u>	<u>\$ 6,397</u>	<u>\$ 12,635</u>	<u>\$ 965,770</u>	<u>\$ 1,057</u>	<u>\$ 2,500</u>	<u>\$ 30,000</u>	<u>\$ 1,021,982</u>	<u>\$ 2,986,477</u>
LIABILITIES									
Accounts payable		\$ -	\$ -	\$ 4,858	\$ -	\$ -	\$ -		\$ 12,313
Due to other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,313</u>
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	960,912	-	-	30,000	-	1,786,848
Committed	1,584	6,397	12,635	-	1,057	2,500	-	1,021,982	1,186,823
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	493
TOTAL FUND BALANCES (DEFICITS)	<u>1,584</u>	<u>6,397</u>	<u>12,635</u>	<u>960,912</u>	<u>1,057</u>	<u>2,500</u>	<u>30,000</u>	<u>1,021,982</u>	<u>2,974,164</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,584</u>	<u>\$ 6,397</u>	<u>\$ 12,635</u>	<u>\$ 965,770</u>	<u>\$ 1,057</u>	<u>\$ 2,500</u>	<u>\$ 30,000</u>	<u>\$ 1,021,982</u>	<u>\$ 2,986,477</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Community Center	Town Facilities	Roads	Fire Fighters' SCBA's	Street Lights	Pepperill Coves Paving/ Utilities	Fire Department Facility	Emery Field Phase 1 LCWF Grant	Public Works Sign Shed
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,615	\$ -
Interest income	-	3,896	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	3,896	-	-	-	-	-	41,615	-
EXPENDITURES									
Administration	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Capital outlay	-	82,989	107,346	-	-	-	12,650	58,769	24,980
Other	573,036	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	573,036	82,989	107,346	-	-	-	12,650	58,769	24,980
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(573,036)	(79,093)	(107,346)	-	-	-	(12,650)	(17,154)	(24,980)
OTHER FINANCING SOURCES (USES)									
Bond proceeds	-	-	-	-	-	-	-	-	-
Premiums on bond issuance	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	30,000	35,122	9,250	15,000	100,000	-
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	30,000	35,122	9,250	15,000	100,000	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(573,036)	(79,093)	(107,346)	30,000	35,122	9,250	2,350	82,846	(24,980)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	573,409	103,348	878,654	(29,507)	(35,122)	12,212	33,990	-	25,000
FUND BALANCES (DEFICITS), JUNE 30	\$ 373	\$ 24,255	\$ 771,308	\$ 493	\$ -	\$ 21,462	\$ 36,340	\$ 82,846	\$ 20

SCHEDULE H (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Boat Infrastructure Grant	Capital Improvement	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights	Route 1 Bypass/Two Way	Ogden Prog Dev Grant	School Capital Projects Funds	Total
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 166,446	\$ -	\$ -	\$ 30,000	\$ -	\$ 238,061
Interest income	-	-	-	-	-	-	-	8,588	12,484
Other income	-	-	-	-	-	-	-	25,000	25,000
TOTAL REVENUES	-	-	-	166,446	-	-	30,000	33,588	275,545
EXPENDITURES									
Administration	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	34,252	-	-	-	-	34,252
Education	-	-	-	-	-	-	-	142,659	142,659
Capital outlay	-	-	-	-	66,400	-	-	252,200	605,334
Other	-	-	654	-	-	-	-	-	573,690
TOTAL EXPENDITURES	-	-	654	34,252	66,400	-	-	394,859	1,355,935
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(654)	132,194	(66,400)	-	30,000	(361,271)	(1,080,390)
OTHER FINANCING SOURCES (USES)									
Bond proceeds	-	-	-	-	-	-	-	-	-
Premiums on bond issuance	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	45,000	-	-	140,000	374,372
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	45,000	-	-	140,000	374,372
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	(654)	132,194	(21,400)	-	30,000	(221,271)	(706,018)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	1,584	6,397	13,289	828,718	22,457	2,500	-	1,243,253	3,680,182
FUND BALANCES (DEFICITS), JUNE 30	\$ 1,584	\$ 6,397	\$ 12,635	\$ 960,912	\$ 1,057	\$ 2,500	\$ 30,000	\$ 1,021,982	\$ 2,974,164

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kittery, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and school department scholarships.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Investments	-	-	670,218	-	4,988	-	-	675,206
Due from other funds	7,847	27,275	-	9,228	-	6,074	58,601	109,025
TOTAL ASSETS	<u>\$ 7,847</u>	<u>\$ 27,275</u>	<u>\$ 670,218</u>	<u>\$ 9,228</u>	<u>\$ 4,988</u>	<u>\$ 6,074</u>	<u>\$ 58,601</u>	<u>\$ 784,231</u>
LIABILITIES								
Accounts payable	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,550
Due to other funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550</u>
FUND BALANCES								
Nonspendable	-	-	-	10,000	-	-	50,000	60,000
Restricted	5,297	27,275	670,218	-	4,988	6,074	8,601	722,453
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(772)	-	-	-	(772)
TOTAL FUND BALANCES	<u>5,297</u>	<u>27,275</u>	<u>670,218</u>	<u>9,228</u>	<u>4,988</u>	<u>6,074</u>	<u>58,601</u>	<u>781,681</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,847</u>	<u>\$ 27,275</u>	<u>\$ 670,218</u>	<u>\$ 9,228</u>	<u>\$ 4,988</u>	<u>\$ 6,074</u>	<u>\$ 58,601</u>	<u>\$ 784,231</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
REVENUES								
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-	-	-	-
Other income	500	-	-	-	-	6,547	-	7,047
TOTAL REVENUES	500	-	-	-	-	6,547	-	7,047
EXPENDITURES								
Other	19,781	-	6,660	-	412	9,375	-	36,228
TOTAL EXPENDITURES	19,781	-	6,660	-	412	9,375	-	36,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,281)	-	(6,660)	-	(412)	(2,828)	-	(29,181)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(19,281)	-	(6,660)	-	(412)	(2,828)	-	(29,181)
FUND BALANCES, JULY 1, RESTATED	24,578	27,275	676,878	9,228	5,400	8,902	58,601	810,862
FUND BALANCES, JUNE 30	<u>\$ 5,297</u>	<u>\$ 27,275</u>	<u>\$ 670,218</u>	<u>\$ 9,228</u>	<u>\$ 4,988</u>	<u>\$ 6,074</u>	<u>\$ 58,601</u>	<u>\$ 781,681</u>

See accompanying independent auditors' report and notes to financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town as an agent for individuals, private organizations or other governmental units. These assets are not available to support Town programs.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2017

	Dorothy Gherson	Constance Samuels	Rebecca Kelso	Bob Whitten	Pauli Rines L.E.	William Dennett
ASSETS						
Cash and cash equivalents	\$ -	\$ 93,350	\$ 4,841	\$ 8,596		\$ 581
Investments	-		-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 93,350</u>	<u>\$ 4,841</u>	<u>\$ 8,596</u>	<u>\$ -</u>	<u>\$ 581</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Restricted - held in trust	-	93,350	4,841	8,596	-	581
TOTAL NET POSITION	<u>-</u>	<u>93,350</u>	<u>4,841</u>	<u>8,596</u>	<u>-</u>	<u>581</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 93,350</u>	<u>\$ 4,841</u>	<u>\$ 8,596</u>	<u>\$ -</u>	<u>\$ 581</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2017

	Warren Seward	Priscilla Guy	Louise Whelton Art	Florence McCashin Memorial	Total
ASSETS					
Cash and cash equivalents	\$ 754	\$ 2,591	\$ 2,619	\$ 283,173	\$ 396,505
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 754</u>	<u>\$ 2,591</u>	<u>\$ 2,619</u>	<u>\$ 283,173</u>	<u>\$ 396,505</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Restricted - held in trust	754	2,591	2,619	283,173	396,505
TOTAL NET POSITION	<u>754</u>	<u>2,591</u>	<u>2,619</u>	<u>283,173</u>	<u>396,505</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 754</u>	<u>\$ 2,591</u>	<u>\$ 2,619</u>	<u>\$ 283,173</u>	<u>\$ 396,505</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Dorothy Gherson	Constance Samuels	Rebecca Kelso	Bob Whitten	Pauli Rines L.E.	William Dennett
ADDITIONS						
Interest	\$ -	\$ 1,261	\$ -	\$ 9		\$ -
Contributions		-	5,841		-	-
TOTAL ADDITIONS	-	1,261	5,841	9	-	-
DEDUCTIONS						
Fees	-	-	-	-	-	-
Scholarships	-	-	1,000	750	-	500
Other	2,859	-	-	-	2,982	-
TOTAL DEDUCTIONS	2,859	-	1,000	750	2,982	500
CHANGE IN NET POSITION	(2,859)	1,261	4,841	(741)	(2,982)	(500)
NET POSITION - JULY 1	2,859	92,089	-	9,337	2,982	1,081
NET POSITION - JUNE 30	\$ -	\$ 93,350	\$ 4,841	\$ 8,596	\$ -	\$ 581

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Warren Seward	Priscilla Guy	Louise Whelton Art	Florence McCashin Memorial	Total
ADDITIONS					
Interest	\$ -	\$ 1	\$ -	\$ 1,220	\$ 2,491
Contributions	-	-	-	-	5,841
TOTAL ADDITIONS	-	1	-	1,220	8,332
DEDUCTIONS					
Fees	-	-	10	-	10
Scholarships	-	200	250	-	2,700
Other	-	-	-	-	5,841
TOTAL DEDUCTIONS	-	200	260	-	8,551
CHANGE IN NET POSITION	-	(199)	(260)	1,220	(219)
NET POSITION - JULY 1	754	2,790	2,879	281,953	396,724
NET POSITION - JUNE 30	\$ 754	\$ 2,591	\$ 2,619	\$ 283,173	\$ 396,505

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN STUDENT ACTIVITY FUNDS – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
RW Traip Academy	\$ 49,008	\$ 97,376	\$ 94,656	\$ 51,728
Shapleigh School	6,536	33,192	30,638	9,090
Horace Mitchell School	6,487	4,707	4,522	6,672
	<u>\$ 62,031</u>	<u>\$ 135,275</u>	<u>\$ 129,816</u>	<u>\$ 67,490</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 1,172,662	\$ -	\$ 1,257,120
General government	-	2,873,091	372,091	-	3,245,182
Fire	353,200	2,585,410	2,535,409	-	5,474,019
Public works	8,579,000	3,775,073	3,813,173	11,151,967	27,319,213
Health and sanitation	-	98,226	43,213	449,875	591,314
Recreation and culture	-	6,029,563	219,393	375,902	6,624,858
Town-wide	1,989,284	3,258,904	75,058	15,000	5,338,246
School department	34,735	25,942,440	832,921	-	26,810,096
Sewer department	285,980	18,646,324	450,657	11,609,926	30,992,887
Total General Capital Assets	11,242,199	63,293,489	9,514,577	23,602,670	107,652,935
Less: Accumulated Depreciation	-	(33,516,219)	(5,796,704)	(8,842,496)	(48,155,419)
Net General Capital Assets	<u>\$ 11,242,199</u>	<u>\$ 29,777,270</u>	<u>\$ 3,717,873</u>	<u>\$ 14,760,174</u>	<u>\$ 59,497,516</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Police	\$ 1,657,587	\$ -	\$ (400,467)	\$ 1,257,120
General government	3,245,182		-	3,245,182
Fire	6,199,288		(725,269)	5,474,019
Public works	26,427,739	891,474	-	27,319,213
Health and sanitation	868,597		(277,283)	591,314
Recreation and culture	6,617,308	7,550	-	6,624,858
Town-wide	5,338,246		-	5,338,246
School department	26,557,895	252,201	-	26,810,096
Sewer department	31,169,859		(176,972)	30,992,887
Total General Capital Assets	108,081,701	1,151,225	(1,579,991)	107,652,935
Less: Accumulated Depreciation	(46,995,272)	(2,691,825)	1,531,678	(48,155,419)
Net General Capital Assets	<u>\$ 61,086,429</u>	<u>\$ (1,540,600)</u>	<u>\$ (48,313)</u>	<u>\$ 59,497,516</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture Passed-through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3014	\$ -	\$ 35,873
Donated Commodities	10.555	N/A	-	40,769
School Lunch Program	10.555	3024	-	135,417
Summer Food Service Program	10.559	3016	-	12,759
Subtotal Child Nutrition Cluster			-	224,818
Fresh Fruit and Veggies	10.582	3028	-	6,170
Total U.S. Department of Agriculture			-	230,988
U.S. Department of the Interior Passed-through State of Maine - Land, Water and Conservation Fund:				
Sportfishing and Boating Safety Act	15.622	CSN #29001	-	58,769
Total U.S. Department of the Interior			-	58,769
U.S. Department of Transportation Passed-through State of Maine - Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CSN #29303	-	24,237
Subtotal Highway Planning and Construction Cluster			-	24,237
Total U.S. Department of Transportation			-	24,237
U.S. Environmental Protection Agency Direct Funding:				
Clean Water State Revolving Fund Cluster:				
Clean Water Revolving Loan Fund	66.458	Loan	-	3,141,072
Subtotal Clean Water State Revolving Fund Cluster			-	3,141,072
Passed-through State of Maine - Department of Environment Protection:				
Performance Partnership Grants	66.605	2015RT06	-	22,124
Direct Funding:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	-	40,700
Total U.S. Environmental Protection Agency			-	3,203,896
U.S. Department of Education Passed-through State of Maine - Department of Education and Cultural Services:				
Adult Basic Education	84.002	N/A	-	7,532
Title I - FY16	84.010	N/A	-	57,387
Title I - FY17	84.010	N/A	-	103,643
Special Education Cluster (IDEA):				
Local Entitlement - FY16	84.027	N/A	-	46,735
Local Entitlement - FY17	84.027	N/A	-	263,195
Special Education Preschool - FY16	84.173	N/A	-	1,923
Special Education Preschool - FY17	84.173	N/A	-	-
Subtotal Special Education Cluster (IDEA)			-	311,853
Title IIA - Improving Teaching Quality - FY16	84.367	N/A	-	10,150
Title IIA - Improving Teaching Quality - FY17	84.367	N/A	-	16,615
Direct Funding:				
Impact Aid	84.041	N/A	-	344,741
Total U.S. Department of Education			-	851,921
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 4,369,811

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Kittery, Maine under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Kittery, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Kittery, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Kittery, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Federal Clean Water Revolving Loan Program

The federal clean water revolving loan program listed subsequently is administered directly by the Town of Kittery, Maine, and balances and transactions relating to this program is included in the Town of Kittery, Maine's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2017</u>
1) 66.458	Clean Water Revolving Loan	\$ 2,197,903



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Town Council
Town of Kittery
Kittery, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kittery, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kittery, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

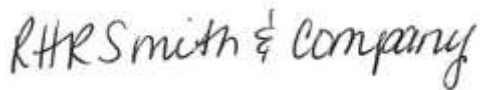
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kittery, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Buxton, Maine
December 12, 2017



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Town Council
Town of Kittery
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Kittery, Maine's major federal programs for the year ended June 30, 2017. The Town of Kittery, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kittery, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Kittery, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Kittery, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town of Kittery, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kittery, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
December 12, 2017

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no
- Noncompliance material to financial statements noted? ☐ yes ☒ no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with §200.516 of Uniform Guidance? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Fund Cluster
84.027/84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery, Maine for the year ended June 30, 2017 and have issued our report thereon dated December 12, 2017. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Town of Kittery, Maine's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Kittery, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Kittery, Maine was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town of Kittery, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the MEDMS financial system maintained at the Maine Department of Education.

This report is intended solely for the information of the Town Council, School Board, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
December 12, 2017

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MEDMS FINANCIAL SYSTEM FOR THE YEAR ENDED JUNE 30, 2017

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30, 2017 Balance per MEDMS Financial System	\$ 1,125,266	\$ 850,549	\$ 710,503	\$ 2,686,318
Revenue Adjustments:	-	-	-	-
Expenditure Adjustments:	-	-	-	-
Other adjustments:				
Funds Not Reported on MEDMS:				
0022 - Shapleigh Grant Fund	-	-	-	-
0150- Adult Education	-	26,136	-	26,136
0292 - Dedicated Maintenance Reserve	-	(311,479)	311,479	-
0601- Enterprise Gate Receipts	-	5,463	-	5,463
0901 - Mitchell Fund	-	4,337	-	4,337
0902 - Shapleigh Fund	-	14,187	-	14,187
0903 - Traip Fund	-	7,111	-	7,111
0904- Central Office Fund	-	83	-	83
Audit Adjustments	(5,268)	225	-	(5,043)
Beginning Balance	-	-	-	-
Rounding	-	(4)	-	(4)
Unallocated Variance	27	-	-	27
Audited GAAP Basis Fund Balance				
(Deficit) June 30, 2017	<u>\$ 1,120,025</u>	<u>\$ 596,608</u>	<u>\$ 1,021,982</u>	<u>\$ 2,738,615</u>